

FISCAL NOTE

Bill #: SB 81

Title: Establish children's health insurance program (CHIP)

Primary

Sponsor: John Harp

Status: Second reading as amended

Sponsor signature	Date	Dave Lewis, Budget Director	Date
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Fiscal Summary	FY2000 <u>Difference</u>	FY2001 <u>Difference</u>	
Expenditures:			
General Fund	\$4,000,000	\$4,000,000	
Federal Special Revenue	<u>14,741,418</u>	<u>15,048,402</u>	
TOTAL	\$18,741,418	\$19,048,402	
Revenue:			
General Fund (Tobacco Settlement)	\$37,429,000	\$29,409,000	
Federal Special Revenue	<u>14,741,418</u>	<u>15,048,402</u>	
TOTAL	\$52,170,418	\$44,457,402	
Net Impact on General Fund Balance:	\$33,429,000	\$25,409,000	

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	X	Significant Local Gov. Impact		X	Technical Concerns
X		Included in the Executive Budget		X	Significant Long-Term Impacts

Fiscal Analysis

ASSUMPTIONS:

1. The first distribution of tobacco settlement proceeds in the amount of \$10,194,000 and the second distribution, in the amount of \$27,235,000 is anticipated to be received by the State of Montana by June 30, 2000. The third distribution, in the amount of \$29,409,000, is anticipated to be received by June 30, 2001.
2. The tobacco settlement will be deposited in the general fund.
3. Eight million in tobacco settlement funds is appropriated from the general fund to be used for state match for the Children's Health Insurance Program (CHIP) and costs due to outreach.

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4. The amounts in assumption 1, represent the “base payment” from the tobacco settlement. Those amounts must increase at least by the greater of 3% or the increase in the consumer price index, but they can decrease by any percentage reduction in tobacco sales. The industry is projecting a 2 – 3% drop in sales caused by this suit, and the increase in tobacco prices. Thus, the above revenue figures are considered useable and conservative.

Children’s Health Insurance Plan:

5. It is estimated that over 10,000 children will be covered by the CHIP program. Costs are estimated at \$13,207,945 per year. This does not include the outreach costs.
6. Administration (personal services, operating expenses, and equipment), of the program is allowed at a maximum of 10% of CHIP benefits per federal regulations. Administration costs are estimated at \$1,374,224 in FY00, and \$1,296,040 in FY01.
7. Four new FTE are needed: 3 grade 16 positions (1 data manager, 1 nurse, 1 program manager), and 1 grade 10 (clerical), at an annual cost of \$133,853.
8. The federal matching rate for CHIP will be 80.51%/19.49% (federal/state) in FY00, and 80.95%/19.05% in FY01.
9. The total federal CHIP grant will be \$11,740,104 in FY00 and \$11,740,945 in FY01. Therefore, the state match required, at the rates contained in assumption 7, are \$2,842,065 in FY00 and \$2,763,010 in FY01.

Outreach (Medicaid):

10. An estimate of 3,001 children in FY00 and 3,198 in FY01 will be added to Medicaid due to outreach. The cost for FY00 will be \$4,159,249 (3,001 X \$1,386 – average Medicaid cost) and for FY01 \$4,544,417 (3,198 X \$1,421 – average FY00 Medicaid cost times 2.5% increase).
11. The federal/state split for FY00 is 72.16%/27.84%, and 72.78%/27.22% in FY01.
12. The total state funds match amount needed for CHIP and outreach costs in FY00 is \$4,000,000 and \$4,000,000 in FY01.

FISCAL IMPACT:**Department of Public Health and Human Services**

	FY2000 <u>Difference</u>	FY2001 <u>Difference</u>
Children’s Health Insurance Plan:		
FTE	4.00	4.00
<u>Expenditures:</u>		
Personal services	\$133,853	\$133,900
Operating expense	1,229,571	1,158,587
Equipment	10,800	3,600
Benefits	<u>13,207,945</u>	<u>13,207,945</u>
TOTAL	\$14,582,169	\$14,503,985
<u>Funding:</u>		
General Fund	\$2,842,065	\$2,763,010
Federal Special Revenue (03)	<u>11,740,104</u>	<u>11,740,975</u>

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TOTAL	\$14,582,169	\$14,503,985
<u>Revenue:</u>		
General Fund	\$5,605,075	
Federal Special Revenue (03)	<u>11,740,104</u>	<u>11,740,975</u>
TOTAL	\$17,345,179	\$11,740,975
<u>Net impact to Fund Balance (Revenue Minus Expenditure):</u>		
General Fund	\$2,763,010	(\$2,763,010)

Outreach (Medicaid):Expenditures:

Benefits	\$4,159,249	\$4,544,417
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Funding:

General Fund	1,157,935	1,236,990
Federal Special Revenue (03)	<u>3,001,314</u>	<u>3,307,427</u>
TOTAL	\$4,159,249	\$4,544,417

Revenue:

General Fund	2,394,925	
Federal Special Revenue (03)	<u>3,001,314</u>	<u>3,307,427</u>
TOTAL	\$5,396,239	\$3,307,427

Net impact to Fund Balance (Revenue Minus Expenditure):

State Special (Tobacco Settlement)	\$1,236,990	(\$1,236,990)
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State Auditor's Office**ASSUMPTIONS:**

1. The department of health and human services projects to serve approximately 10,000 children per year in the CHIP. It is anticipated that there will be an increase in the number of consumer complaints received by the state auditor's office.
2. With approval of the Governor's budget as recommended, which includes 1.00 additional FTE for the policyholders services bureau is approved, the state auditor's office can absorb any additional costs related to the implementation of this bill.

LONG-RANGE IMPACTS:

1. CHIP is a five-year grant, but has a ten-year federal appropriation.
2. Over the next 26 years, the State anticipates collecting over \$800 million as a result of the tobacco settlement.